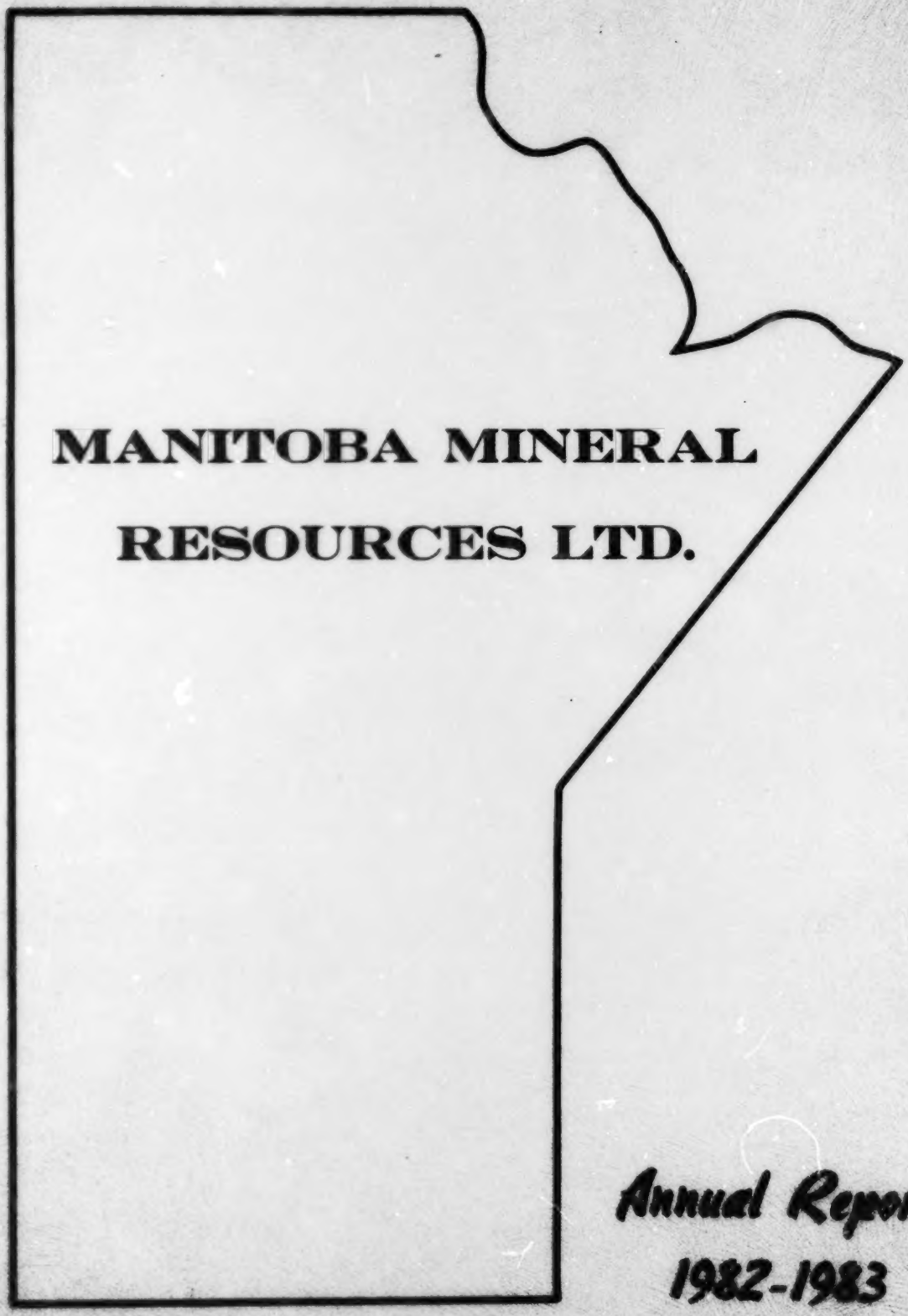


MANITOBA MINERAL RESOURCES LTD.

Annual Report
1982-1983

MANITOBA MINERAL RESOURCES LTD.

Board of Directors

D. B. GARDAVE
Executive Director, Crown Investments
Chairman, Manitoba Mineral Resources Ltd.

J. S. ROPER
Consulting Mining Engineer

H. D. B. WILSON
Consulting Geologist

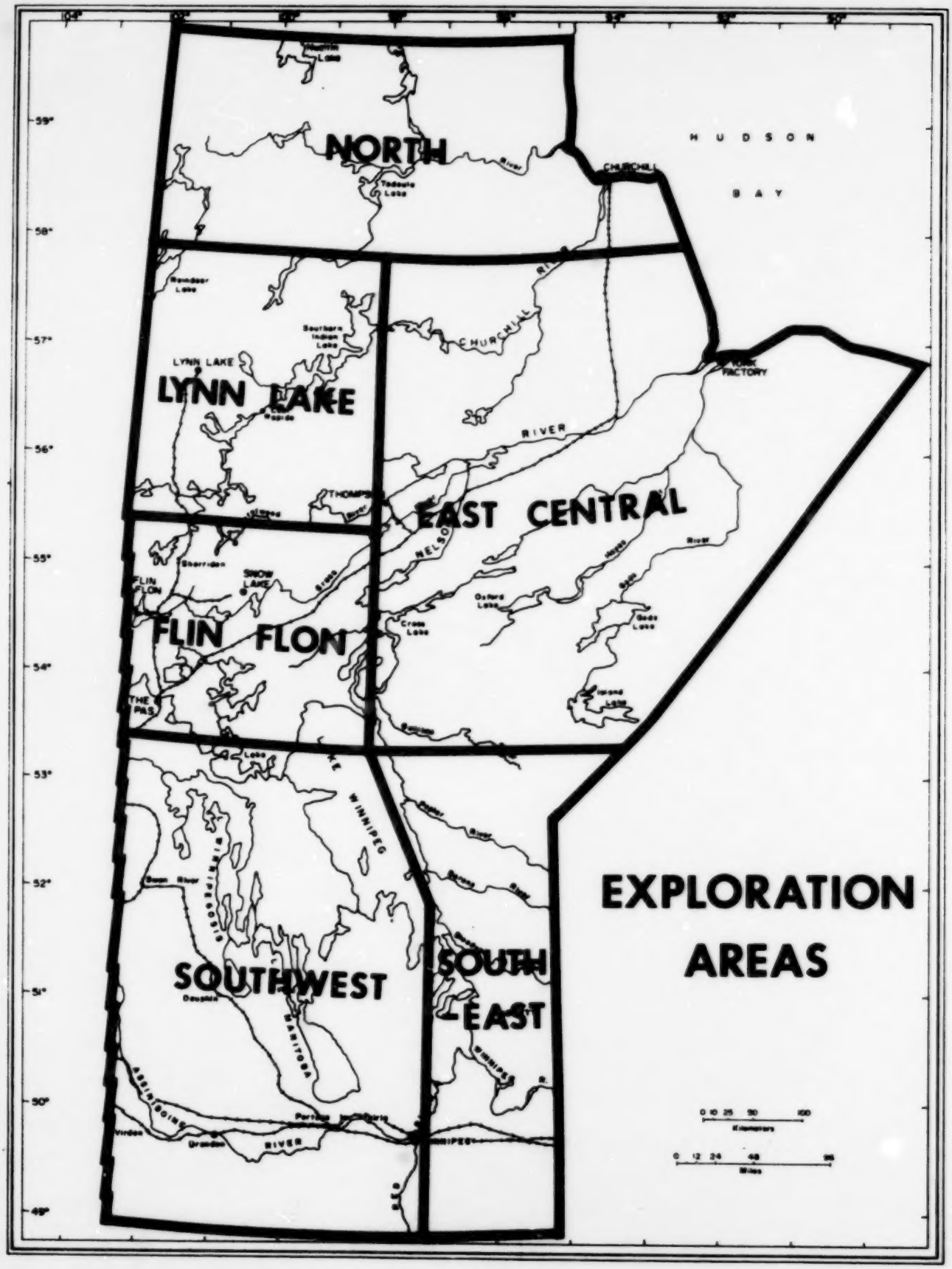
Officers

C. MALCOLM WRIGHT
President

JOHN S. ROPER
Secretary

Head Office

603 - 491 PORTAGE AVENUE, WINNIPEG, MANITOBA R3B 2E4


NORTH
LYNN LAKE
LYNN LAKE
EAST CENTRAL
FLIN FLON
FLIN FLON
SOUTHWEST
SOUTH EAST
HUDSON
BAY
CHURCHILL
RIVER
EXPLORATION
AREAS

To the Honourable Wilson Parasiuk
Minister of Energy and Mines
Legislative Building
Winnipeg, Manitoba

SIR:

In accordance with article 8(1), chapter N33 of the Natural Resources Development Act, the Board of Directors herewith submits the Company's Annual Report for the year ended March 31, 1983.

In addition to the Company's financial statements, the report contains the financial statements for the Province's share of the Trout Lake mine joint venture. The Company manages the Province's interest in the Trout Lake project under an agency agreement.

FINANCIAL RESULTS

Revenues from the shipment of concentrates from Trout Lake totalled $3,210,199. Direct costs were $3,340,038 resulting in an operating loss of $129,839. This loss increased to $390,834 after provision for amortization, interest charges, and Manitoba Mineral's administration costs. Revenues were received on the basis of an agreed interim schedule of metals recovered in the milling operation. Metals recovered are subject to an adjustment based on further negotiations.

Trout Lake came on stream in 1982. Losses are attributed to low metal prices prevailing throughout the year, high unit operating costs during the break in period, and the low grade of ore produced during start up.

Gross exploration expenditures, including administration, were $1,460,816. Net expenditures were $1,137,800 after allowing for oil income of $2,082 and a recovery of $320,934 on mandatory participation agreements. The Company manages the Province's interest in mandatory participation agreements under an agency contract.

MINING OPERATIONS

The capital development phase of Trout Lake was completed in December, 1982 on schedule at a cost of $30,218,000, six per cent over budget. Construction started in 1980 and by June, 1982 Hudson Bay Mining and Smelting Co., Limited completed earning its 44 per cent interest in the project by contributing the first $27.4 million of costs. Production in the fiscal year totalled 292,051 tons, about 60 per cent of annual capacity. The mine has been operating at capacity since November, 1982.

EXPLORATION OPERATIONS

Activities in the year covered thirty-seven (37) projects including those under mandatory participation agreements. The private sector participated in twenty-nine (29) of the projects, while the remaining eight (8)

were carried by the Company for its own account. Total project expenditures, including contributions from the private sector, were $2,222,727 of which the Company contributed $1,352,728 (60.9%).

About 71 per cent of the total expenditures were directed at projects in the Lynn Lake area where the future of the community of Lynn Lake is threatened by rapidly depleting ore reserves at Sherritt Gordon's Fox Lake mine.

One diamond drill hole on the Limestone Bay project, 75 kilometers south of Snow Lake, cut 6.3 meters of core assaying 2.03 per cent copper. Further drilling is required to assess the significance of the discovery. The project is a joint venture with Hudson Bay Exploration and Development Company Limited.

OIL OPERATIONS

Three wells jointly owned by the Company and Berry Petroleum Limited in the Pierson area produced 294 cubic meters of oil. Manitoba Mineral's share of production resulted in an income of $2,082. One well was abandoned during the year leaving two producing at year end.

BOARD OF DIRECTORS

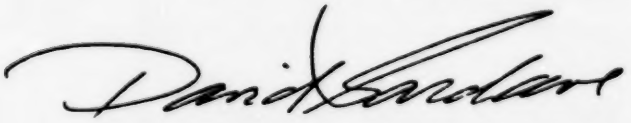
Malcolm G. Anderson, who served as Chairman of the Board from July 27, 1981, resigned on March 14, 1983. His colleagues extend their sincere appreciation for his contribution to the activities of the Company.

David B. Gardave was elected as a Director and Chairman of the Board on March 14, 1983.

PERSONNEL

At year end the full-time staff numbered eleven (11). To these people, who form a small but highly efficient team, the Board extends its thanks for their individual contributions to the activities covered by this report.

On Behalf of the Board of Directors,



DAVID B. GARDAVE, *Chairman of the Board*

August 3, 1983

Mining Operations — Trout Lake

The Trout Lake mine, 7 kilometers northeast of Flin Flon, is a joint venture owned by Hudson Bay Mining and Smelting Co., Limited (44%), the Scandinavian Minerals Syndicate (29%) and the Province of Manitoba (27%). Hudson Bay operates the mine and, under a contract covering the life of the mine, mills the partners' share of the ore produced.

In accordance with a joint venture agreement signed in 1980, Hudson Bay earned its 44 per cent interest in the venture by expending $27.4 million on capital and operating costs. At the time Hudson Bay completed earning its interest, June, 1982, the surface plant was essentially complete, most of the initial underground development work was done, and the mine was operating at 50 per cent of capacity. Subsequent capital and operating costs have been shared by the partners in proportion to their interests.

The capital project to bring the mine into full production was budgeted at $28,548,000 and was essentially complete in December, 1982 at a cost of $30,218,000, on schedule and 6 per cent over budget. The mine has been producing at capacity since November, 1982.

Production for the fiscal year and proven reserves as of March 31, 1983 are tabulated below.

	Tons	Cu %	Zn %	Au oz/ton	Ag oz/ton
Production	292,051	1.33	5.09	0.051	0.365
Reserves	2,880,000	2.61	4.85	0.049	0.360

Production was suspended for an 8-week period in the summer as a result of Hudson Bay's decision to shut down its Flin Flon/Snow Lake operations due to poor metal markets. The mine is dependent upon Hudson Bay's Flin Flon operations for a variety of services including the milling of ore and treatment of concentrates.

Exploration Operations

The Company starts exploration projects that are wholly owned in the early stages with the expectation they will attract participation by the private sector. Conversely, the Company participates in worthwhile projects proposed by the private sector. The Company also manages the Province's interest in mandatory participation agreements previously entered into by the Department of Mines.

Activities in the year covered thirty-seven (37) projects with total expenditures of $2,222,727. The Company contributed $1,352,728 (60.9%) of the costs — the balance was supplied by the private sector.

Participation by the Company and its partners is summarized in the table below. Details of participation in individual projects are given in tables elsewhere in this report.

No. of Projects	Type	MMR Contribution	Partners' Contribution	Total Expenditure
8	Wholly Owned	$370,464	—	$370,464
6	Voluntary Joint Venture — managed by MMR	356,574	$397,939	754,513
8	Voluntary Joint Venture — managed by Partners	304,756	250,127	554,883
15	Mandatory Joint Venture (includes $3,234 direct MMR expenditures) — managed by Partners	320,934	221,933	542,867
37		$1,352,728	$869,999	$2,222,727

AREAS EXPLORED AND METALS SOUGHT

For ease of reference the Province is divided into a number of exploration areas (see map at front). A summary of the distribution of expenditures by area is given in the following table.

Area	No. of Projects	Expenditures MMR and Partners	Expenditures % of Total
Lynn Lake	21	$1,581,816	71.2
Flin Flon	13	363,562	16.4
East Central	1	159,152	7.1
Southwest	1	112,913	5.1
Southeast	1	5,284	0.2
	37	$2,222,727	100.0

The distribution of total expenditures by metals sought is: copper - zinc - gold - silver, 90.6%; nickel and associated metals, 5.3%. Research on project generation accounted for 4.1% of total expenditures.

NEW PROJECTS

Nine new projects were started (South Moose, Suwannee, Sickle, Arbour, Pool, Dunphy, Suttie, Grand Rapids and Leftrook). Seven are in the Lynn Lake area and reflect the acceleration of the Company's activity in that region.

NEW AGREEMENTS

Two new joint venture agreements were made — one with Canamax Resources Inc. covering the Grand Rapids project and one with File Explorco Limited covering the Leftrook project. Two mandatory participation agreements were renegotiated to permit acceleration of exploration on holdings in the Lynn Lake area (Agreement No. 54 with Hudson Bay Exploration and Development Company Limited and Agreement No. 73 with Falconbridge Limited). An agreement was reached to allow Sherritt Gordon Mines Limited to participate in the Eldon Lake joint venture between the Company and Granges Exploration Aktiebolag.

OPTION AGREEMENTS

Option payments totalling $15,687 were received pursuant to agreements with Harvard Securities Limited, Hudson Bay Exploration and Development Company Limited, SMD Mining Co., Limited (two agreements), and A. L. Parres Limited. The agreements cover ground previously held under mandatory participation agreements. SMD terminated its two option agreements during the year.

SIGNIFICANT RESULTS

A diamond drill hole on the Limestone Bay project, 75 kilometers south of Snow Lake, cut 6.3 meters of core assaying 2.03% copper. Additional drilling is required to assess the significance of this intersection. The property is held under a joint venture agreement with Hudson Bay Exploration and Development Company Limited.

Hudson Bay continues to hold the Pinebay deposit near Flin Flon under option. Drill-indicated reserves to the 1,200-foot level are 660,000 tons grading 2.9% copper. Hudson Bay has now intersected the mineralized horizon in four places between the 1,200-foot and 2,200-foot levels without increasing reserves.

Oil Operations

Three wells jointly owned by the Company and Berry Petroleum Limited in the Pierson area produced 294 cubic meters of oil during the year compared to 480 cubic meters last year. One well was abandoned during the year leaving two producing at year end.

Manitoba Mineral's share of production resulted in an income of $2,082 compared with $1,015 in the previous year. Although total production decreased, higher revenue was received due to increases in the price of oil and increased production from the two wells on which the Company receives a 5 per cent gross over-riding royalty.

MINERAL EXPLORATION PROJECTS

TYPE OF WORK — P - Project Generation
A - Acquisition of Ground
R - Regional Surveys
G - Ground Surveys
D - Drilling

Wholly Owned Ventures

Name (Area) Metals Sought	Work	Costs 1982/83	Cumulative Costs to March 31, 1983
South Moose (Flin Flon), copper-zinc	PAR	$ 12,126	$ 12,126
Suwannee (Lynn), copper-zinc	PARG	234,099	234,199
Sickle (Lynn), copper-zinc	PA	2,794	2,794
Arbour (Lynn), copper-zinc	PA	1,748	1,748
Pool (Lynn), copper-zinc	PA	10,530	10,530
Dunphy (Lynn), copper-zinc	PA	704	704
Suttie (Lynn), copper-zinc	PA	17,107	17,107
Research	P	91,356	244,706
TOTAL		$370,464	$523,914

Voluntary Joint Ventures — Operated by Manitoba Mineral

Name (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 1982/83	Total Costs 1982/83	Cumulative Total Costs to March 31, 1983
Beaverhill (50%) East Central, copper-zinc	Polly Explorco Limited	GD	$ 79,576	$159,152	$ 266,058
Loon (49%) Lynn, copper-zinc	Shell Canada Resources Limited	GD	82,126	167,604	494,117
Notigi (49%) Lynn, copper-zinc	Enterprise Exploration Limited	D	5,108	10,403	446,685
Rat (40%) Lynn, copper-zinc	Rio Tinto Canadian Exploration Limited	GD	67,750	169,376	426,027
Laurie (50%) Lynn, copper-zinc	Pavi Explorco Limited	GD	104,578	209,156	481,521
Limestone* (76.33%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GD	16,685	36,945	140,073
South Russell (40%) Lynn, copper-zinc	Rio Tinto Canadian Exploration Limited	D	751	1,877	204,160
TOTAL			$356,574	$754,513	$2,458,641

* Project changed status during the year and was operated by partner at March 31, 1983.

Voluntary Joint Ventures — Operated by Partner

Name (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 1982/83	Total Costs 1982/83	Cumulative Total Costs to March 31, 1983
McClarty (38.59%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GD	$ 16,771	$ 43,460	$3,485,015
Farewell (40%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	G	4,515	11,288	1,580,111
Cook (45%) Flin Flon, copper-zinc	Granges Exploration Aktiebolag	GD	17,883	39,740	439,747
Athapapuskow (49%) Flin Flon, copper-zinc	Granges Exploration Aktiebolag	D	660	1,347	47,720
Grand Rapids (35.89%) Southwest, nickel	Canamax Resources Inc.	GD	107,814	112,913	300,413
Leftrook (50%) Lynn, copper-zinc	File Explorco Ltd.	ARG	155,947	272,268	311,893
Eldon (49%) Lynn, copper-zinc	Granges Exploration Aktiebolag Sherritt Gordon Mines Limited	GD	1,166	59,987	823,329
Limestone* (76.33%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GD	—	13,880	13,880
TOTAL			$304,756	$554,883	$7,002,108

* Project was operated by MMR for part of the year but at March 31, 1983 was operated by partner.

Mandatory Participation Ventures — Operated by Partners

Agreement (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 1982/83	Total Costs 1982/83	Cumulative Total Costs to March 31, 1983
No. 7, Wel (20.77%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	D	$ 5,749	$ 11,499	$ 80,616
No. 9, Kus (43.07%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	D	7,139	14,278	86,949
No. 11, Hap (39.41%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	G	2,301	4,601	175,468
No. 12, Gun (37.25%) Flin Flon, copper-zinc, gold	Hudson Bay Exploration and Development Company Limited	GD	8,958	17,916	527,094
No. 15, Big (38.69%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	G	391	782	337,793
No. 40, Mayville (25.36%) Southeast, copper-nickel, platinum-palladium	Maskwa Nickel Chrome Mines Limited	G	2,642	5,284	252,385
No. 51, Counsell (49.32%) Lynn, copper-zinc	Sherritt Gordon Mines Limited	G	28,977	57,955	515,573

Mandatory Participation Ventures — Operated by Partners (continued)

Agreement (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 1982/83	Total Costs 1982/83	Cumulative Total Costs to March 31, 1983
No. 54, End/Jit (50.54%) Lynn, copper-zinc, gold	Hudson Bay Exploration and Development Company Limited	GD	$ 44,023	$ 58,614	$ 906,383
No. 55, Eel (47.05%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	D	25,497	50,994	173,365
No. 63, Wellmet (44.73%) Lynn, copper-zinc	Sherritt Gordon Mines Limited	G	2,664	5,329	256,053
No. 69, Shoe (48.58%) Lynn, copper-zinc	Sherritt Gordon Mines Limited	G	2,870	5,739	19,160
No. 73, Ruttan (37.91%) Lynn, copper-zinc, gold	Falconbridge Limited	GD	152,664	190,830	532,261
No. 81, Lace (47.67%) Lynn, copper-zinc	Sherritt Gordon Mines Limited	G	2,803	5,605	58,992
No. 83, Lar (44.61%) Lynn, copper-zinc	Sherritt Gordon Mines Limited	G	2,751	5,501	692,015
No. 94, Embury (27.00%) Flin Flon, copper-zinc	Hudson Bay Mining and Smelting Co., Limited, Scandinavian Minerals Syndicate	D	28,271	104,706	510,216
TOTAL			$317,700	$539,633	$5,124,323

MANITOBA MINERAL RESOURCES LTD.

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A, B, C and D, and Schedule 1 of Manitoba Mineral Resources Ltd. and Statements A, B and C, of the Province of Manitoba's interest in the Trout Lake mine administered by Manitoba Mineral Resources Ltd. for the fiscal year ended March 31, 1983. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Manitoba Mineral Resources Ltd. and the Province of Manitoba's interest in the Trout Lake mine administered by Manitoba Mineral Resources Ltd. as at March 31, 1983 and the results of these operations and the changes in financial position for the year then ended in accordance with the accounting policies stated in the notes to the respective financial statements. The accounting policies stated in Note 3 to Manitoba Mineral Resources Ltd. financial statements have been applied on a basis consistent with that of the preceding year. The financial statements of the Province of Manitoba's interest in the Trout Lake mine administered by Manitoba Mineral Resources Ltd. cover the first year of the mine's operations.

W. K. ZIPRICK, C.A.,
Provincial Auditor.

July 18, 1983,
Winnipeg, Manitoba.

Exhibit A

MANITOBA MINERAL RESOURCES LTD.

BALANCE SHEET

as at March 31, 1983

(with comparative figures for 1982)

ASSETS

	1983	1982
Current assets:		
Cash in bank	$ 296,270	$ 279,925
Accounts receivable	180,421	254,840
Prepaid expenses	3,522	3,293
Total current assets	480,213	538,058
Fixed assets [Note 3(b)]:		
Field equipment	107,722	104,730
Office equipment	17,963	16,799
Office renovations	5,975	5,975
Vehicle	6,429	6,429
	138,089	133,933
Deduct: accumulated depreciation	134,600	133,933
	3,489	—
Trout Lake mine, net assets (Note 4)	2,641,976	—
	$3,125,678	$ 538,058

LIABILITIES

Current liabilities:		
Accounts payable	$ —	$ 69,311
Undisbursed mandatory participation advances from the Province of Manitoba under an agreement	271,416	114,661
Total current liabilities	$ 271,416	$ 183,972

PROVINCE OF MANITOBA'S EQUITY

Capital stock:		
Authorized — 20,000 shares without par value to a maximum consideration of $20,000		
Issued and fully paid — 5 shares (Note 1)	5	5
Unexpended grants, Exhibit C:		
Grants for working capital from the Province of Manitoba (Note 5)	8,009,000	7,013,000
Deduct: exploration expenditures, net [Note 3(c)]	7,796,719	6,658,919
	212,281	354,081
Trout Lake mine equity (Note 4)	2,641,976	—
	2,854,262	354,086
	$3,125,678	$ 538,058

Approved on behalf of the Board:

D. B. GARDAVE, *Director*

H. D. B. WILSON, *Director*

The accompanying notes are an integral part of the financial statements.

Exhibit B

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF EXPLORATION EXPENDITURES
for the year ended March 31, 1983
(with comparative figures for 1982)

	1983	1982
Exploration expenditures:		
Wholly owned ventures	$ 370,464	$ 1,461
Voluntary joint ventures operated by Manitoba Mineral Resources Ltd.	754,513	1,073,483
Deduct: recoveries from joint venture partners	397,939	600,983
	356,574	472,500
Voluntary joint ventures operated by partners	304,756	202,342
Total voluntary joint venture exploration expenditures	661,330	674,842
	1,031,794	676,303
Payments under Mandatory Participation Agreements being administered under an agreement with the Province of Manitoba	320,934	429,823
Recoveries under Mandatory Participation Agreements:		
Province of Manitoba (Note 6)	305,247	419,597
Sale of interests	15,687	10,226
	320,934	429,823
	—	—
General and administration expenses, Schedule 1	108,088	61,640
	1,139,882	737,943
Income:		
Oil production	2,082	1,015
Exploration expenditures, net, Exhibit C	$1,137,800	$ 736,928

The accompanying notes are an integral part of the financial statements.

Exhibit C

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF UNEXPENDED GRANTS
as at March 31, 1983
(with comparative figures for 1982)

	1983	1982
Grants for working capital from the Province of Manitoba (Note 5):		
Balance, beginning of year	$7,013,000	$6,119,000
Add: Grant received during the year	996,000	894,000
Total grants received from inception, Exhibit A	$8,009,000	$7,013,000
Exploration expenditures, net [Note 3(c)]: Balance, beginning of year	$6,658,919	$5,921,991
Add: Exploration expenditures, net, for the year, Exhibit B	1,137,800	736,928
Total exploration expenditures, net, from inception, Exhibit A	$7,796,719	$6,658,919
Unexpended grants, March 31, Exhibit A	$ 212,281	$ 354,081

The accompanying notes are an integral part of the financial statements.

Exhibit D

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended March 31, 1983

(with comparative figures for 1982)

	1983	1982
Source of funds:		
Grants from the Province of Manitoba	$ 996,000	$ 894,000
Proceeds from disposal of fixed assets	—	145
	996,000	894,145
Application of funds:		
Exploration expenditures, net, Exhibit B	1,137,800	736,928
Less: non-cash transactions:		
Depreciation	872	18,356
Gain on disposal of fixed assets	—	(145)
	1,136,928	718,717
Fixed assets purchased	4,361	18,044
	1,141,289	736,761
(Decrease) increase in working capital	(145,289)	157,384
Working capital, beginning of year	354,086	196,702
Working capital, end of year	$ 208,797	$ 354,086

The accompanying notes are an integral part of the financial statements.

Schedule 1

MANITOBA MINERAL RESOURCES LTD.

SCHEDULE OF GENERAL AND ADMINISTRATION EXPENSES

for the year ended March 31, 1983

(with comparative figures for 1982)

	1983	1982
General and administration expenses:		
Salaries, wages and employee benefits	$ 428,379	$ 344,107
Rent and maintenance	43,812	33,186
Supplies and services	28,916	19,504
Other	16,519	28,402
	$ 517,626	$ 425,199
Allocated to:		
Exploration expenditures	$ 356,540	$ 309,593
Mandatory Participation Agreements administered under an agreement with the Province of Manitoba	52,998	53,966
General and administration expenses, Exhibit B	108,088	61,640
	$ 517,626	$ 425,199

MANITOBA MINERAL RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1983

1. *Status of the company*

Manitoba Mineral Resources Ltd. is a crown corporation established under The Manitoba Natural Resources Development Act and incorporated under the Manitoba Corporations Act. The issued shares are held by the directors in trust for Her Majesty the Queen in right of the Province of Manitoba.

2. *Nature of the operations*

The Company undertakes exploration for minerals in the Province of Manitoba through wholly owned ventures, voluntary joint ventures and mandatory participation ventures, which are explained in note 6. The Company also manages the Province's interest in the development, mining and processing of ore from the Trout Lake mine, and the sale of the concentrates.

3. *Significant accounting policies*

(a) Accounting basis

The Company uses the accrual basis of accounting, except for exploration expenditures for joint venture projects operated by partners and mandatory agreements. These are reported on the basis of expenditures made by the Company for expenses incurred and submitted to the Company to March 31.

(b) Fixed assets and depreciation

Fixed assets are recorded at cost. Depreciation is taken on a straight line basis.

(c) Exploration expenditures

Exploration expenditures are charged to expenditure as incurred. They are capitalized when a mine is brought into production. Exploration expenditures include costs of projects abandoned by the Company totalling $3,268,068.

(d) Comparative figures

Comparative figures have been restated where necessary to conform to the presentation adopted for the fiscal year ended March 31, 1983.

4. Trout Lake mine

The Trout Lake mine is an unincorporated joint venture. The Company manages the Province's interest in the development, mining and processing of ore from the mine, and the sale of the concentrates. A separate division is maintained in the Company's accounts for these activities. Financial statements for the Province's interest are attached as Statements A, B and C.

5. Grants for working capital from the Province of Manitoba

Total authorized funds available from the Province of Manitoba of $8,009,000 were drawn down as conditional working capital grants as at March 31, 1983. These grants are non-interest bearing and conditional on the basis that they become repayable to the Province if, as and when exploration projects become profitable ventures.

6. Mandatory participation agreements

Under an agreement made with the Province in 1978, the Company manages the Province's interests in the mandatory participation agreements. These agreements were previously entered into by the Province pursuant to Manitoba Regulation 328/74. Recoveries from the Province for the year ended March 31, 1983 are shown in Exhibit B in the amount of $305,247 and in Schedule 1 in the amount of $52,998.

7. Commitments

The Company has outstanding commitments under joint venture agreements totalling $312,083.

8. Contingencies

The Company has contingent liabilities for guarantees of bank letters of credit totalling $75,000.

Statement A

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

BALANCE SHEET
as at March 31, 1983

ASSETS

Current assets:		
Cash in bank		$ 469,727
Cash on deposit with the Minister of Finance		80,000
Cash in transit from the Department of Energy and Mines		114,312
Settlements receivable on sales of concentrates [Notes 2(c); 5]		862,218
Prepaid expenses		234,932
Total current assets		1,761,189
Fixed assets [Note 2(d)]:		
Exploration expenditures	$ 335,498	
Mine development expenditures	764,482	
	1,099,980	
Less: accumulated amortization	102,801	997,179
		$2,758,368

LIABILITIES

Current liabilities:		
Accrued interest on the advance from the Province of Manitoba		$ 114,312
Accounts payable		2,080
Total current liabilities		116,392

PROVINCE OF MANITOBA'S EQUITY

Advance from the Province of Manitoba (Note 3)	$2,583,000	
Exploration expenditures previously funded through the Company by the Province of Manitoba [Note 2(d)]	335,498	
	2,918,498	
Less: Net loss for the year, Statement B	276,522	2,641,976
		$2,758,368

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

STATEMENT OF OPERATIONS
for the year ended March 31, 1983

Revenues:	
Sales of concentrates [Notes 2(c); 5]	$3,210,199
Expenses:	
Mining	2,799,476
Milling	514,205
Monitoring	26,357
	3,340,038
Operating loss before the following:	129,839
Other expenses:	
Amortization of exploration and development expenditures	102,801
Interest on advance from the Province of Manitoba, net	114,312
Administration	43,882
	260,995
Net loss before subsidy for interest on the advance	390,834
Less: Subsidy from the Department of Energy and Mines for interest on the advance from the Province of Manitoba	114,312
Net loss for the year, Statement A	$ 276,522

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended March 31, 1983

Source of funds:		
Advance from the Province of Manitoba (Note 3)		$2,583,000
Exploration expenditures previously funded through the Company by the Province of Manitoba [Note 2(d)]		335,498
		2,918,498
Application of funds:		
Exploration expenditures		335,498
Mine development expenditures		764,482
		1,099,980
Net loss for the year, Statement B	$ 276,522	
Less: Items not affecting working capital:		
Amortization of exploration and development expenditures	102,801	173,721
		1,273,701
Excess of current assets over current liabilities at March 31, 1983		$1,644,797

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

NOTES TO FINANCIAL STATEMENTS
for the year ended March 31, 1983

1. *Nature of the operations*

The Company manages the Province's interest in the Trout Lake mine. A separate division is maintained in its accounts for these activities.

The Trout Lake mine is an unincorporated joint venture which is limited to the development and operation of the mine. The joint venture partners take the ore produced in proportion to their interests and are individually responsible for processing the ore and sale of the concentrates. The mine commenced commercial production during the fiscal year ended March 31, 1983.

The Company, acting as an agent for the Province of Manitoba, is participating in the joint venture with Hudson Bay Mining and Smelting Co., Limited and the Scandinavian Minerals Syndicate which is made up of Granges Exploration Aktiebolag, International Minerals Exploration Granges AB and Co. and Outokumpu Oy.

The joint venture agreement signed in 1980 provided that Hudson Bay Mining and Smelting Co., Limited would earn 44% interest in the venture by spending approximately $27.4 million to develop the property into an operating mine. The Province of Manitoba holds a 27% interest while the Scandinavian Minerals Syndicate retains a 29% interest. Expenditures in excess of the commitment by Hudson Bay Mining and Smelting Co., Limited are shareable by joint venture participants in the ratios of their interests in the project. At March 31, 1983 the total joint venture capital development expenditures amounted to $30,238,000, of which the Province contributed $764,482 as its share.

The Company has a 27% interest in the total joint venture assets. At March 31, 1983 the Company's share of the total joint venture assets amounted to $7,488,252.

2. *Significant accounting policies*

(a) Accounting basis

The accrual basis of accounting is used in the preparation of these financial statements.

(b) Reporting basis

These financial statements reflect the Company's expenditures for the Province's 27% interest in the joint venture, and the additional activities outside of the joint venture, including arrangements for the processing of the ore, sale of concentrates, monitoring and administration carried out on behalf of the Province.

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

NOTES TO FINANCIAL STATEMENTS
for the year ended March 31, 1983

(c) Settlements receivable on sales of concentrates

The Company has entered into a contract with Hudson Bay Mining and Smelting Co., Limited for the sale of its concentrates. Under the terms of the contract, the concentrates are deemed to be sold at the time of delivery of ore to the mill. The settlements receivable on sales of ore concentrates are recorded at the estimated net realizable value.

(d) Fixed assets

The fixed assets amounting to $1,099,980 shown on the balance sheet reflect all of the Company's expenditures to bring the mine into production but do not reflect expenditures of $548,262 incurred by the Province prior to the Company becoming the agent for the Province.

The Company's policy is to capitalize exploration expenditures when a mine is brought into production. Exploration expenditures of $335,498 which were previously incurred by the Company and charged to expenditure have now been recorded as fixed assets, with a corresponding credit to equity.

The exploration and development expenditures are amortized by the unit-of-production method based on estimated ore reserves.

3. *Advance from the Province of Manitoba*

The advance from the Province of Manitoba bears interest at the bank prime lending rate and is repayable at the discretion of the Province. For the year ended March 31, 1983, the Department of Energy and Mines provided a subsidy of $114,312 for interest on the advance.

4. *Loan authority*

The Legislature has authorized the borrowing and expending of monies under The Loan Act 1982 for the purpose of advancing money to the Company for the Trout Lake mine. The unexpended amount of this authority at March 31, 1983 amounted to $217,000.

5. *Contingencies*

The settlements for sales of concentrates are based on an agreed interim schedule. The final settlement for the sales of concentrates is subject to negotiation of a final schedule by the joint venture partners and could result in an adjustment of settlements received or receivable. The amount of adjustment, if any, cannot be estimated since it will be arrived at through negotiations.